

Message Text

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21

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 IO-11 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 XMB-02 /135 W

----- 075132

R 011559Z MAR 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 3030

INFO AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ABIDJAN

AMEMBASSY NAIROBI

AMEMBASSY TEGUCIGALPA

AMEMBASSY MEXICO

AMEMBASSY KINSHASA

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY YAOUNDE

AMEMBASSY SANTO DOMINGO

AMEMBASSY RIO DE JANEIRO

AMEMBASSY SAO PAULO

AMEMBASSY GUATEMALA

LIMITED OFFICIAL USE SAN JOSE 1018

E.O. 11652: N/A

TAGS: ETRD, EAGR, CS

SUBJECT: CONGRESSIONAL HEARINGS ON COFFEE PRICE

INCREASES

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REF: (A) STATE 034044, (B) SAN JOSE 0320

1. ANSWERS TO QUESTIONS IN PARAGRAPH 2 OF REF A FOLLOW:

A. RETAIL PRICE FOR ROASTED/GROUND COFFEE WITHOUT SUGAR ADDED IS NOT REGULATED. THE PRICE FOR THIS COFFEE UNCHANGED FROM PRE-FROST LEVELS AND RANGES BETWEEN U.S. 35.1 CENTS TO U.S. 58.5 CENTS PER POUND. EFFECTIVE DECEMBER 22 THE MAXIMUM SALES PRICE OF ROASTED/GROUND COFFEE CONTAINING TEN PERCENT SUGAR WAS INCREASED AS FOLLOWS: (1) WHOLESALE, FROM U.S. 44.5 CENTS TO U.S. 52.1 CENTS PER POUND; (2) RETAIL, FROM U.S. 49.8 CENTS TO U.S. 58.5 CENTS PER POUND. PRIOR PRICE LEVEL HAD BEEN IN FORCE FOR SEVERAL YEARS.

B. DOMESTIC COFFEE ROASTERS MUST COMPETE AGAINST EACH OTHER FOR GREEN COFFEE AT AUCTION HELD BY LA BOLSA DE CONSUMO NACIONAL DE LA OFICINA DEL CAFE. COFFEE AUCTION PRICE IN FEBRUARY AVERAGED U.S. 32.2 CENTS PER POUND AS COMPARED WITH U.S. 25.8 CENTS PER POUND LAST MAY. COFFEE CONSUMED DOMESTICALLY IS LOWER QUALITY THAN EXPORT COFFEE.

C. COFFEE EXPORTS ARE HANDLED BY PRIVATE FIRMS THAT SPECIALIZE IN COFFEE EXPORTS. GOCR HAS NOT CHANGED BASIC POLICY SINCE BRAZILIAN FROST. GOCR HAS LONG IMPOSED AD VALOREM EXPORT TAX WHICH HAS VARIED ACCORDING TO EXPORT PRICES. THE EXPORT TAX WAS INCREASED FROM 5 PERCENT TO 8 PERCENT EFFECTIVE JANUARY 13 (SEE REF B). TAX CHANGES DURING CY 1975 FOLLOW: (1) FROM 1 TO 5 PERCENT EFFECTIVE AUGUST 14; (2) FROM 5 TO 1 PERCENT EFFECTIVE MAY 15 (3) FROM 13 TO 5 PERCENT EFFECTIVE JANUARY 1. COFFEE EXPORTERS CLAIM THAT TAX RESTRICTS EXPORTS, HOWEVER TRADE DATA SHOWS CURRENT EXPORT SALES TO BE ABOVE THOSE AT SAME TIME A YEAR AGO. THROUGH FEBRUARY 15 HARVEST OF CROP 1975/76 TOTALED 1.281 MILLION CWT WITH SALES OF 981 THOUSAND CWT. SAME PERIOD A YEAR AGO HARVEST TOTALED 1.644 MILLION CWT. WITH SALES OF 831 THOUSAND CWT.

D. FINAL PRODUCER PRICES PAID BY MILLS ARE BASED ON EXPORT PRICES WITH FINAL PAYMENT NOT MADE UNTIL END OF LIMITED OFFICIAL USE
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YEAR. PRODUCERS HOWEVER ARE GIVEN ADVANCES ACCORDING TO QUALITY OF COFFEE DELIVERED TO MILLS. PRE-FROST ADVANCES RANGED U.S. \$23.42 TO U.S. \$26.93 PER CWT. POST-FROST ADVANCES NOW RANGING U.S. \$46.84 TO U.S. \$58.55 PER CWT. PRICES PAID TO MILLS BY EXPORTERS FOR 1974/75 COFFEE AVERAGED U.S. \$52.68 PER CWT. PRICES TO MILLS FOR 1975/76 CROP NOW AVERAGING U.S. \$78.23 PER CWT.

E. GOCR IS OPPOSED TO EXPANDING COFFEE AREA, AND IS NOT OFFERING CREDIT TO FINANCE NEW PLANTINGS. THE RENOVA-

TION OF OLD COFFEE TRACTS IS BEING RECOMMENDED AND
THE CENTRAL BANK IS NOW CONSIDERING THE OPENING OF A NEW
LINE OF CREDIT TO BE USED EXCLUSIVELY FOR THE RENOVATION
OF OLD PLANTINGS. SINCE THE FROST, CENTRAL BANK HAS
AUTHORIZED COMMERCIAL BANKS TO INCREASE FINANCING TO
PRODUCERS FROM U.S. \$23.42 TO
U.S. \$29.27 PER CWT TO BE AVAILABLE AS FOLLOWS:

(1) CROP IMPROVEMENT MEASURES U.S. \$17.56, INCREASED
FROM U.S. \$14.05; (2) HARVESTING EXPENSES U.S. \$11.71,
INCREASED FROM U.S. \$9.37. INTERNAL FERTILIZER PRICES
HAVE DROPPED AND MORE FERTILIZER USAGE EXPECTED IN 1976.

2. LATEST ESTIMATES FOR 1975/76 CROP ARE PRODUCTION
OF 1.448 MILLION BAGS WITH 87 PERCENT OF PRODUCTION
AVAILABLE FOR EXPORT.
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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 01 MAR 1976
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Disposition Approved on Date:
Disposition Authority: morefirh
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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